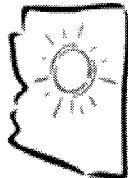


OPEN MEETING AGENDA ITEM



AriSEIA
Arizona Solar Energy
Industries Association

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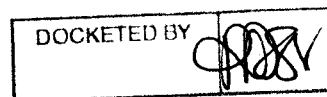
To: The Arizona Corporation Commission

Arizona Corporation Commission
DOCKETED

Date: September 20, 2010

SEP 20 2010

Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007



RE: ARIZONA PUBLIC SERVICE (APS) COMPANY'S REQUEST FOR
CLARIFICATION AND MODIFICATION OF RESIDENTIAL INCENTIVE
(DOCKET NO. E-01345A-09-0338).

Dear Commissioners:

Pursuant to the above request submitted by APS, and subsequent comments made by ACC staff on Sep. 8, 2010, AriSEIA wishes to submit the following comments/ recommendations.

As a key stakeholder in Arizona's growing solar industry, AriSEIA's objective is to provide input that will contribute to a sustainable, predictable and stable environment that is conducive to the long term growth of solar in Arizona. Our members are comprised of the companies that manufacture and install solar equipment as well as provide services that support the solar industry and as such, are at the forefront of this movement, and in a unique position to provide valuable feedback for the development of sound and progressive policies.

AriSEIA appreciates the opportunity to provide comments relating to the above mentioned docket in the following areas:

Reservation Backlog

One great concern for the industry is the number of systems that are currently backlogged in the APS system. These customers who sought to participate in the program must be moved through the system as soon as possible at the incentive level which they applied for.

AriSEIA is also concerned that the proposed "rapid reservation" mechanism might result in a longer wait for the customers who are currently caught in the existing backlog. While we do not object in principle to the "rapid reservation" concept, we feel that the backlog of customers who are in the system awaiting confirmed reservations should be cleared before the "rapid reservation" mechanism is considered.

We agree that any surplus funds from previous funding cycles should first be used to address the backlog. We understand that the residential program gave up \$16.2 Million from last year's budget to be used for enabling schools to install solar. We are not opposed to reallocating any unused funds from specific programs to those that experience a higher level of demand. However, we would also like the opportunity to provide feedback and recommendations on behalf of the industry before any such decisions are made.

Incentive Reductions

It has come to AriSEIA's attention that while APS has proposed any additional residential incentive funding that becomes available in 2010 be used to fund applications at a \$1.95/Watt level, ACC staff has recommended that this amount be lowered to \$1.75/Watt.

AriSEIA supports APS' recommendation to keep the incentive at \$1.95/Watt.

The proposal to lower the incentive level to \$1.75 is a concern to the industry. While we have not opposed the lowering of incentive levels in the past, we feel that this reduction may be premature. Our members have reported a slowdown in business and we believe that a premature reduction in incentive levels will have a harmful effect on the industry. AriSEIA would also like to take this opportunity to note that over the past year, incentives have been reduced ahead of schedule, based on previously approved plans.

Finally, AriSEIA would like to note that these recommendations are intended to address the short-term issues that have arisen with respect to the APS residential incentive program. We understand that there will be another opportunity to review and provide feedback in the context of the larger picture when the APS Implementation Plan for 2011 comes before the Commission.

Incentive Accounting Year

With respect to this issue, AriSEIA agrees with ACC staff that funds from APS' 2011 budget be applied in the fourth quarter of 2010 as a means of addressing greater-than-expected demand for residential incentives, but on a one-time only basis. We would like the opportunity to analyze and discuss this issue in more detail as part of APS' 2011 RES Implementation Plan.

Other Program Modifications

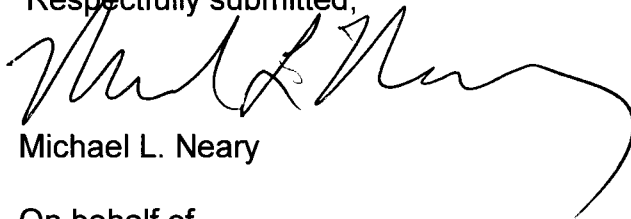
APS is also requesting approval to cap the number of applications at 600 for the last quarter of the year and to limit the applications to 600 per future funding cycle. While we appreciate the fact that APS is attempting to provide stability to the programs with this proposal, we feel that a cap based on system capacity (MW) would be in the best interest of the industry and the program. This allows each funding cycle to maximize the amount of solar power produced and more accurately reflect the goals of the RES, which are based on MWh production. With the adoption of an energy efficiency standard by the Commission, we feel that there could be a reduction in the average size of the systems installed when homeowners adopt energy efficiency measures and do not require the electricity that they once used. This, combined with the move towards greater transparency with resources such as the arizonagoessolar.org website, support the position that the metrics used to track the progress of the program should be as reflective of "actual" conditions as possible.

Conclusion

Since the adoption of the 2010 APS Implementation Plan, Arizona's solar industry made significant gains. What was once an undersubscribed program has grown to the point where measures needed to be taken in order to insure program sustainability and, for the most part, AriSEIA has supported these changes.

The funding that ratepayers provide to this program is an investment in Arizona's future and establishing the optimal level of funding and the right incentive level to insure program stability and sustainability is a difficult task. We look forward to working with the Commission and APS to further develop a program that provides sustainability, transparency and value to Arizona ratepayers.

Respectfully submitted,



Michael L. Neary

On behalf of
Lee Feliciano
President
Arizona Solar Energy Industries Association